

A Drop in the Bucket

An Analysis of Resources to Address Home Foreclosures in Chicago



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**Report prepared by the Chicago Coalition for the Homeless
on behalf of the Sweet Home Chicago Coalition**

Report Authors:

Julie Dworkin, Director of Policy, Chicago Coalition for the Homeless

Casey Wittekind, Master's Degree candidate in Social Justice, Loyola University Chicago

Additional research support provided by Nicholas Bianchi, National People's Action

Executive Summary

The Neighborhood Stabilization Program (NSP) is Chicago's primary source of funds to redevelop neighborhoods devastated by the home foreclosure crisis. Yet NSP is able to fund a minute fraction of the resources needed to effectively address the crisis. The city of Chicago has another available resource, Tax Increment Financing (TIF), which could be used in a similar way to the way NSP dollars are used, though they are not currently being allocated for this purpose.

Of the city's 159 TIF districts, all but three allow TIF funds to be used to purchase and rehabilitate properties. The Sweet Home Chicago ordinance, now pending before the Chicago City Council, would designate a yearly share of TIF funds to build and rehabilitate affordable housing, including foreclosed houses and apartment buildings. If enacted, TIF funds would complement the Neighborhood Stabilization Program, allowing the city to more significantly impact the continuing foreclosure crisis.

This report examines the current impact of NSP, the extent to which TIF resources can be used to address foreclosures, and the resources available in TIF funds within neighborhoods hard hit by foreclosures.

Key findings include:

- ✍ The Neighborhood Stabilization Program (NSP), launched in 2009, has already depleted 28 percent of its funding through the purchase and rehab of only 83 properties. These properties comprise less than 1 percent of the total number of foreclosures completed in Chicago during 2009 alone.
- ✍ The maximum number of foreclosed properties acquired in any of 27 NSP communities as of July 30, 2010 is 11.
- ✍ 32% of home foreclosures in NSP communities occurred within TIF districts. These properties could be rehabilitated as affordable housing using TIF dollars.
- ✍ In 2009, 507 foreclosures were completed and 1,415 foreclosures were filed within TIF districts in communities that were ineligible for NSP.
- ✍ Communities reporting more than 50 foreclosures within a TIF district have uncommitted funds available in the TIFs within their boundaries. Estimates of uncommitted funds that will be available over the life of these TIF districts range from \$19 million to \$761 million.

Introduction

Since 2007, Chicago has seen a dramatic increase in foreclosures, with filings increasing 64 percent by 2009.ⁱ In total, Chicago had 23,237 foreclosure filings and 8,592 completed foreclosures in 2009.ⁱⁱ Despite an economy beginning to recover, jobless rates remain high, and as a result foreclosure numbers continue to climb. In the first half of 2010, Chicago saw a 14 percent increase in filings from the first half of 2009.ⁱⁱⁱ Around the nation, 75 percent of large metropolitan areas reported increases in the number of foreclosures in the first six months of 2010, largely due to job losses.^{iv}

Entire neighborhoods have been devastated by this crisis, yet resources to stem the problem are scarce. The Neighborhood Stabilization Program (NSP) is a federal program that provides funding to revitalize neighborhoods hit hard by foreclosures. Chicago received funds under this federal program in two phases, NSP 1 (\$55 million) and NSP 2 (\$98 million). The funds are specifically targeted to purchase and rehabilitate foreclosed properties in 27 Chicago communities where many homeowners held subprime mortgages.^v The first phase of NSP is coming to a close, with much of the \$55 million having been spent. By July 30, 2010, NSP had purchased 83 properties accounting for 314 housing units within communities with high foreclosure rates.^{vi} This represents less than 1 percent of the total number of foreclosed properties in Chicago in 2009 alone. The cost to purchase and rehabilitate these properties accounts for 78 percent, or \$43 million, of NSP 1 funding.^{vii} It also represents 28 percent of the total funds Chicago will receive under the program. In total, the city hopes to use NSP funds to rehabilitate, construct or demolish 2,500 units over the next three years.^{viii}

It is uncertain how many properties 2,500 units would represent. Assuming a similar ratio to the current one continues, over the life of the program only 657 properties would be purchased and rehabbed – equal to 7 percent of the foreclosures completed in 2009. As one alderman told the Chicago Tribune in July,^{ix} funding under NSP is only “a drop in the bucket” compared to the need across Chicago.

The city has another resource that could become a part of the solution to the foreclosure crisis. Tax Increment Financing (TIF) dollars are property taxes set aside in blighted areas to be used for redevelopment within specific communities. Currently, Chicago has 159 TIF districts generating an average of \$500 million a year in development funds.^x The most recent audit shows that the city has \$1.2 billion collected and unspent in these 159 TIF districts.^{xi} City Budget Director Eugene Munin told reporters on July 30, 2010 that \$700 million in TIF funds were not currently obligated among all TIF balances.^{xii}

Citywide in 2009, there were 1,925 completed foreclosures in TIF districts as well as 4,347 new foreclosure filings.^{xiii} In fact, foreclosures located within TIF districts make up 22 percent of all completed foreclosures citywide and 19 percent of all foreclosure filings.^{xiv} The purchase and rehab of existing properties is an allowable use of TIF funds in all but three TIF districts.

In addition to lacking adequate resources to address foreclosures, Chicago is seeing declining state and federal resources to create affordable housing. The Illinois real estate transfer (sales) tax, which funds affordable housing statewide, is down 67 percent since 2007.^{xv} The federal low-income housing tax credit has lost as much as 37 percent of its value during the economic downturn.^{xvi} Resources are drying up at a time when the need for affordable housing is climbing due to increased unemployment. TIF funds are a resource that could be tapped more

consistently for creation of affordable housing – on average, each year only 4 percent of Chicago’s TIF funds are used for this purpose.^{xvii}

An ordinance pending before the Chicago City Council, the Sweet Home Chicago ordinance, would mandate that 20 percent of TIF funding each year go towards creating and rehabilitating affordable housing. If this ordinance were in effect, a significant new resource would be available – addressing the foreclosures crisis in communities throughout Chicago while creating much needed affordable housing for struggling families.

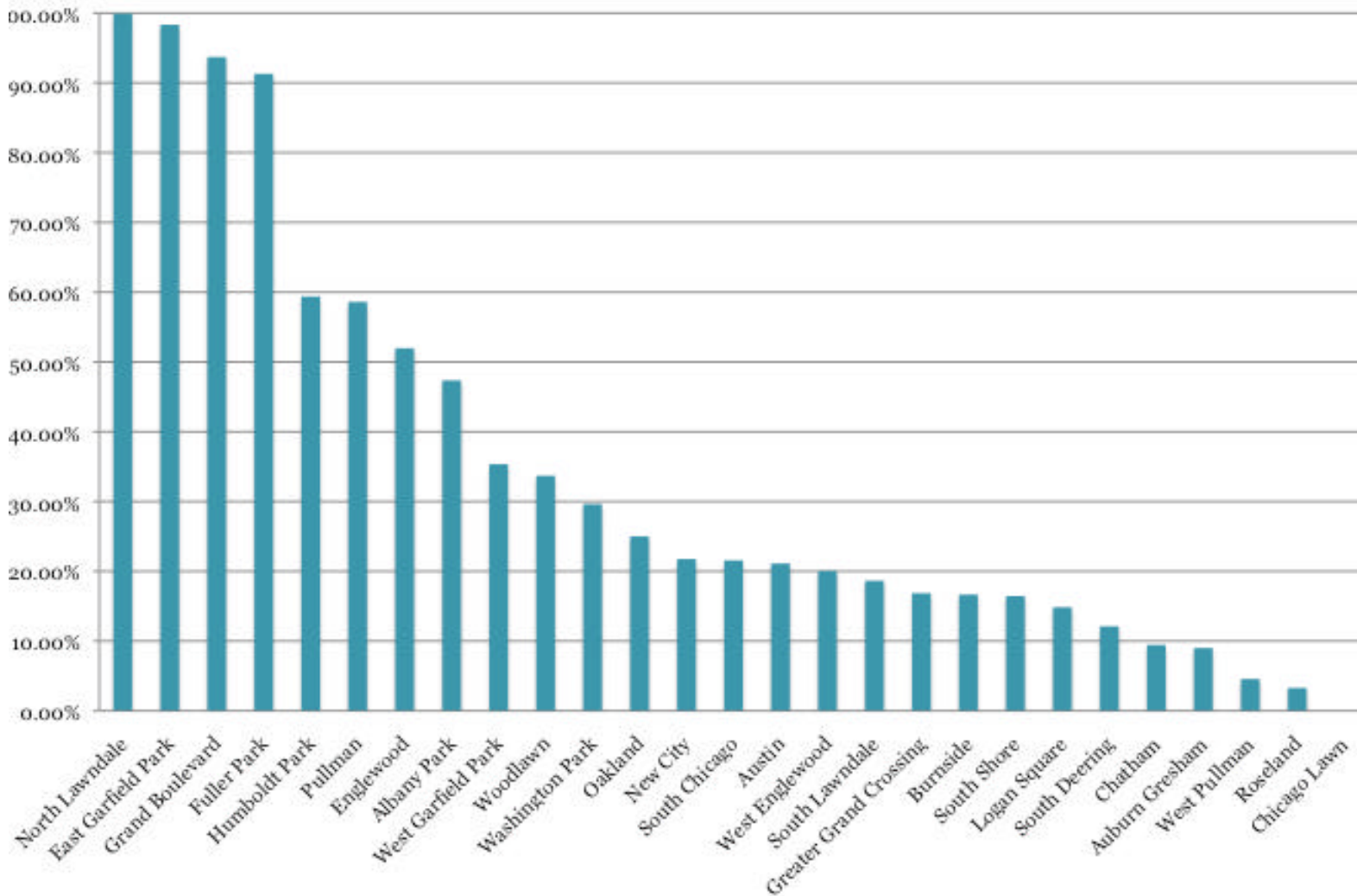
This report demonstrates that in many of the Chicago communities hard hit by foreclosures, TIF funds are a resource that can be used in conjunction with the NSP program to have a significantly larger impact than relying on NSP funding alone.

Foreclosures in Neighborhood Stabilization Communities

The Neighborhood Stabilization Program (NSP) began in 2009 to acquire and rehabilitate properties in communities throughout Chicago, but the number of properties acquired in each community is very small compared to the magnitude of the problem.

Community Area	Total Number of Completed Foreclosures 2009 ^{xviii}	NSP Properties Acquired as of 7-30-10 ^{xix}
Austin	393	8
West Englewood	339	0
Chicago Lawn	314	11
Humboldt Park	293	9
Englewood	279	0
New City	262	1
South Shore	225	5
Auburn Gresham	222	9
West Pullman	219	2
Roseland	213	2
North Lawndale	201	5
Woodlawn	181	3
Grand Boulevard	175	1
Logan Square	175	0
Greater Grand Crossing	166	6
South Chicago	153	1
South Lawndale	134	0
Chatham	127	0
East Garfield Park	120	4
Albany Park	114	0
West Garfield Park	99	0
Washington Park	81	4
South Deering	66	0
Pullman	29	11
Burnside	24	0
Fuller Park	23	0
Oakland	8	1
Total	4635	83

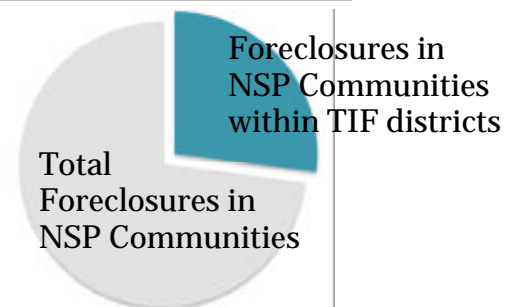
Many of the NSP communities report a significant number of foreclosures within TIF districts. In 15 out of 27 (55 percent) of the NSP communities, more than 20 percent of foreclosures occurred within TIF districts and in eight (29 percent) of the NSP communities, more than 40 percent of the foreclosures occurred within TIF districts.



In 40 percent of NSP communities there were more than 50 completed foreclosures within TIF districts. Five of the communities had more than 100 foreclosures.

Community Area	Total Number of Completed Foreclosures in TIF Districts 2009 ^{xx}
North Lawndale	201
Humboldt Park	174
Grand Boulevard	164
Englewood	145
East Garfield Park	118
Auburn Gresham	83
Austin	83
West Englewood	68
Woodlawn	61
New City	57
Albany Park	54
South Shore	37
West Garfield Park	35
South Chicago	33
Greater Grand Crossing	28
Logan Square	26
South Lawndale	25
Washington Park	24
Fuller Park	21
Pullman	17
Chatham	12
West Pullman	10
South Deering	8
Roseland	7
Burnside	4
Oakland	2
Chicago Lawn	0
Total	1497

In total, 32 percent of all foreclosures in NSP communities are located within TIF districts. Clearly, TIF funding is a resource that could be used in many NSP communities to have a larger impact in addressing foreclosures.



Addressing Foreclosures in Areas Not Eligible for NSP

There are many communities in Chicago that are not eligible for NSP funding because the spike in foreclosures occurred later or their area was not targeted for subprime loans. These communities are seeing foreclosure filings grow, but will not be eligible for any of the federal funds. A number of these communities also have significant numbers of filings in TIF districts.

Communities not Eligible for NSP	Total Filed Foreclosures in TIFs^{xxi}	Percentage of Foreclosures in TIFs
Near South Side	213	100%
Near West Side	208	64%
Morgan Park	78	33%
West Ridge	72	8%
Lincoln Square	66	28%
Belmont Cragin	61	7%
Near North Side	56	9%
Avondale	54	17%

Availability of IFR resources in Areas Hit by Foreclosures

It is important to note that not only are there significant numbers of foreclosures in TIF districts, but also that there are funds available in those TIF districts that could be used to redevelop those properties. The charts below show the NSP communities and non-NSP eligible communities that have more than 50 foreclosures or foreclosure filings located in TIF districts. The dollar amounts shown represent the total for all TIFs located in the community area. However, some TIF districts span more than one community area, so the dollar amounts in those TIF districts are included more than once in the totals listed below. Also, some TIFs in a community area do not contain many foreclosures, but the funds in those TIFs are included in the totals because they are adjacent to TIFs that do have foreclosed properties. In those cases, funds could be “ported” from one TIF to an adjacent one to rehabilitate foreclosed properties.

NSP Eligible Communities	Estimated Funding Remaining Over Life of TIFs ^{xxii}	TIF Fund Balances as of 12/31/2009 ^{xxiii}
North Lawndale	\$287,053,617	\$77,059,866
Humboldt Park	\$284,198,717	\$104,390,012
Grand Boulevard	\$422,343,784	\$53,264,824
Englewood	\$33,000,000	\$17,742,996
East Garfield Park	\$172,614,202	\$108,720,694
Austin	\$206,183,775	\$41,778,281
West Englewood	\$130,997,340	\$30,596,619
Woodlawn	\$57,500,000	\$53,282,917
New City	\$105,831,593	\$37,403,247
Albany Park	\$19,250,000	\$18,445,714

Communities not Eligible for NSP	Estimated Funding Remaining Over Life of TIFs ^{xxiv}	TIF Fund Balances as of 12/31/2009 ^{xxv}
Near South Side	\$138,991,047	\$149,627,317 ^{xxvi}
Near West Side	\$761,609,258	\$242,733,580
Morgan Park	\$86,750,000	\$7,799,026
West Ridge	\$95,714,321	\$48,260,953
Lincoln Square	\$124,544,321	\$52,672,052
Belmont Cragin	\$173,608,775	\$43,984,073
Near North Side	\$495,703,615	\$171,625,935
Avondale	\$272,162,850	\$38,055,581

Rehabbing Multi-Family Buildings

Several of the NSP communities have a number of large multi-family buildings in foreclosure. These buildings provide an opportunity to create rental housing targeted at lower income households. To date, only nine properties acquired by the NSP program are buildings with six units or more. Generally, developments must include a large number of units to create the economies of scale necessary to create housing for extremely low-income households.

Using TIF funds allows for more flexibility to rehabilitate larger buildings because developments funded with TIF would not have the same federal restrictions as those financed with NSP program funding. For example, NSP funding must be committed within a certain time frame, making it more difficult to put together complicated financing packages. The NSP requirements also restrict the amount that can be paid for a property and what type of properties can be acquired. Also, there are simply not enough resources available in the NSP program to cover the cost of financing larger projects.

Because of the increased flexibility and the greater pool of resources, using TIF funds to acquire and rehabilitate larger multi-unit foreclosed buildings would allow for the creation of units targeted at lower income households than required by the NSP program. NSP requires that all units rehabbed be targeted to households earning less than 120 percent of Area Median Income (\$90,400 AMI for a family of four in Chicago) and that 25 percent of the units be for households earning less than 50% of AMI (\$37,700 for a family of four in Chicago). Many households in NSP communities have incomes far below 50 percent of AMI – so creating housing targeted below that income level would meet a great need in those neighborhoods.

NSP Communities	Number of Foreclosure Filings on Buildings with 6 or more units in TIF Districts
Englewood	21
North Lawndale	14
Austin	12
Grand Boulevard	9
East Garfield Park	8
Humboldt Park	8
Total	72

Conclusion

Chicago needs more funding resources to address the foreclosure crisis in our neighborhoods and to create affordable housing. Federal dollars will not stretch far enough to truly revitalize these neighborhoods. Tax Increment Financing is a resource available in many of these communities to acquire and rehabilitate foreclosed properties. Many of the TIF accounts are sitting on uncommitted funds. Now is the time to utilize this resource to start to turn those communities back into vibrant places that are attractive to residents and businesses. Passing the Sweet Home Chicago ordinance to dedicate TIF funds for housing would greatly increase the resources in Chicago to impact the foreclosure crisis.

Endnotes

- ⁱ Woodstock Institute, Foreclosure Updates 2008 and 2009.
- ⁱⁱ Data source: Record Information Services Inc. Prepared by National People's Action.
- ⁱⁱⁱ Woodstock Institute, First Half 2010 Foreclosure Filings and Auctions, <http://www.woodstockinst.org/publications/download/first-half-2010-foreclosure-filings-and-auctions>
- ^{iv} Pugh, Tom, "Homes Keep Falling into Foreclosures as Programs Fail to Help." McClatchy Washington Bureau, <http://www.mcclatchydc.com/2010/07/29/v-print/98357/homes-keep-falling-into-foreclosure.html>.
- ^v Chicago Neighborhood Stabilization Program, Q&A, <http://www.chicagosp.org/About-us/Chicago-Neighborhood-Stabilization-Program-QA.html>.
- ^{vi} Chicago Neighborhood Stabilization Program, Properties Acquired by NSP, <http://www.chicagosp.org/news/158>.
- ^{vii} Phone conversation with Mercy Portfolio Services August 2, 2010.
- ^{viii} Chicago Neighborhood Stabilization Program, Q & A
- ^{ix} Jones, Tim, "Chicago Neighborhoods Foundering in a Wave of Foreclosures" Chicago Tribune, July 22, 2010. <http://www.chicagotribune.com/news/local/ct-neighborhood-struggles-20100721,0,3137809.story?page=1>
- ^x Cook County Clerk's Office, City of Chicago TIF Revenue Totals by Year, <http://www.cookcountyclerk.com/tsl/DocumentLibrary/TIF%20Chicago%20Totals%20By%20Year%201986%20-%202008.pdf>
- ^{xi} City of Chicago, TIF District Annual Reports, http://www.cityofchicago.org/city/en/depts/dcd/supp_info/district_annual_reports2009.html
- ^{xii} Spielman, Fran, "Chicago Facing \$654.7 Budget Shortfall, Alderman Told." Chicago Sun Times, July 30, 2010, <http://www.suntimes.com/news/cityhall/2550716,chiago-fac-ing-grow-ing-budge-t-shortfall-073010.article>.
- ^{xiii} Data source: Record Information Services Inc. Prepared by National People's Action.
- ^{xiv} Data source: Record Information Services Inc. Prepared by National People's Action.
- ^{xv} Illinois State Comptroller Fund Balances
- ^{xvi} Housing Policy.org
http://www.housingpolicy.org/toolbox/strategy/policies/4_percent_tax_credit.html?tierid=154

^{xvii} Analysis of Department of Housing Quarterly Progress Reports

^{xviii} Data source: Record Information Services, Inc. Prepared by National People's Action.

^{xix} **Chicago Neighborhood Stabilization Program, Properties Acquired by NSP.**

^{xx} Data source: Record Information Services, Inc. Prepared by National People's Action.

^{xxi} Data source: Record Information Services, Inc. Prepared by National People's Action.

^{xxii} **Estimate based on the original budget for each TIF as recorded in the redevelopment plan for each TIF. Any amounts currently committed to projects as recorded in the TIF annual reports and redevelopment agreements are subtracted from the original budget.**

^{xxiii} **This amount reflects the total balance designated for future redevelopment projects as recorded in the 2009 Annual reports for each TIF district. Some of these funds may already be committed to existing projects**

^{xxiv} **Estimate based on the original budget for each TIF as recorded in the redevelopment plan for each TIF. Any amounts currently committed to projects as recorded in the TIF annual reports and redevelopment agreements are subtracted from the original budget. Some of these funds may already be committed to existing projects**

^{xxv} **This amount reflects the total balance designated for future redevelopment projects as recorded in the 2009 Annual reports for each TIF district.**

^{xxvi} **This amount is larger than the estimated amount remaining over the life of the TIF because some of the funds are already obligated to existing projects**